

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 03416 01 OF 02 031354Z

42

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 INT-05 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 H-02

SS-15 NSC-05 ITC-01 FTC-01 JUSE-00 /089 W

----- 048399

R 031225Z APR 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 924

INFO ALL EC CAPITALS 1963

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 EC BRUSSELS 03416

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: US/EC CONSULTATION ON SPECIALTY STEEL

1. BEGIN SUMMARY: AMBASSADOR YEUTTER MET TODAY WITH
COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS HIJZEN AND
ACTING DIRECTOR GENERAL FOR INDUSTRIAL AND TECHNOLOGICAL AFFAIRS
LOEFF, TO DISCUSS SPECIALTY STEEL. THE MEETING WAS CHARACTERIZED
BY THOROUGH DISCUSSION OF THE ISSUES
INVOLVED. THE PRINCIPAL OUTCOME IS
THAT IT APPEARS THAT A FORMAL ORDERLY MARKETING AGREEMENT WOULD NOT
BE
POSSIBLE BETWEEN THE US AND THE EC BECAUSE OF THE NEED FOR RATIFICATION

OF ANY SUCH AGREEMENT BY THE PARLIAMENTS OF SOME OF THE MEMBER STATES.

END SUMMARY.

2. AMBASSADOR YEUTTER BEGAN THE MEETING BY INDICATING OUR SCHEDULE FOR

THE NEAR TERM IN THE OECD CONSULTATION AND BILATERAL DISCUSSIONS WITH
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03416 01 OF 02 031354Z

OTHER COUNTRIES. HE WAS OPTIMISTIC THAT OMAS COULD BE

NEGOTIATED WITH JAPAN AND SWEDEN. HE ASKED WHETHER THE EC HAD THE AUTHORITY TO NEGOTIATE AN OMA. HIJZEN REPLIED THAT THE AUTHORITY EXISTS FOR NEGOTIATIONS IF A MANDATE IS OBTAINED FROM THE COUNCIL. IN AN ENSUING DISCUSSION, HOWEVER, IT BECAME CLEAR THAT UPON COMPLETION OF A NEGOTIATION, THE AGREEMENT WOULD HAVE TO BE SUBMITTED FOR RATIFICATION BY THE PARLIAMENTS OF SOME OF THE MEMBER STATES. THIS ISSUE HAD BEEN RAISED BEFORE IN A MEETING OF THE MEMBER STATES THE DAY BEFORE AND LUXEMBOURG, AND POSSIBLY ONE OR TWO OTHER STATES, HAD INDICATED THE NEED FOR RATIFICATION. IN VIEW OF THIS CONSTRAINT, IT IS IMPROBABLE THAT ANY AGREEMENT COULD BE REACHED, AND CERTAINLY SUCH AN AGREEMENT COULD NOT BE PUT INTO EFFECT BY JUNE 14. (THE PROVISIONS OF THE EUROPEAN COAL AND STEEL TREATY ON EXPORTS ARE DIFFERENT FROM THOSE OF THE TREATY OF ROME.) HIJZEN LATER TRIED TO BACK-PEDAL ON THIS POINT AND SAID THAT THE COMMISSION WOULD HAVE TO STUDY THE LEGAL SITUATION FURTHER.

3. HIJZEN INQUIRED ABOUT THE ADVANTAGES FOR THE COMMUNITY IN NEGOTIATING AN OMA. YEUTTER RESPONDED BY INDICATING THAT IN TERMS OF TOTALS, WE HAVE LITTLE LATITUDE TO MAKE CONCESSIONS IN THE FIRST YEAR BUT GREATER LATITUDE IN THE SECOND AND THIRD YEARS OF AN AGREEMENT. AN OMA ALSO COULD ACCOMMODATE EC INTERESTS WITH RESPECT TO THE PRODUCT MIX OF RESTRAINTS AND BY PROVISION FOR EARLIER TERMINATION. HIJZEN QUESTIONED THE ADVANTAGE OF AN OMA IF THE FIRST YEAR IS THE SAME AS THE ITC PROVIDED, PARTICULARLY SINCE RECOVERY IS PROCEEDING IN THE US INDUSTRY AND SHOULD LEAD TO EARLY TERMINATION OF RELIEF. AMBASSADOR YEUTTER REPLIED THAT THERE MAY NOT BE A SUBSTANTIAL ADVANTAGE, PARTICULARLY IF PRODUCT MIX IS NOT IMPORTANT TO THE EC, BUT THAT WE WOULD DO WHATEVER WE COULD TO MAKE AN OMA AS ATTRACTIVE AS POSSIBLE TO THE EC.

4. HIJZEN INDICATED THAT HE HAD STUDIED THE STATISTICS CAREFULLY AND THAT HE DOESN'T UNDERSTAND WHY THE DECISION WAS MADE, GIVEN BASIC IMPORT AND PRODUCTION TRENDS. HE WAS PARTICULARLY PUZZLED BY THE SEVERE CUTBACK IMPLIED BY THE LEVELS PROPOSED BY THE ITC, WHICH HE SAID WERE LOWER THAN ANY REFERENCE PERIOD HISTORICALLY. HE SAID THAT THE US APPEARS TO BE USING A TEMPORARY SITUATION AS AN ALIBI TO CUT BACK IMPORTS IN CONTRAST TO THE EC, WHICH HAD MERELY ASKED FOR

CONFIDENTIAL

PAGE 03 EC BRU 03416 01 OF 02 031354Z

NO INCREASE.

5. IN THE ENSUING DISCUSSION, IT BECAME CLEAR THAT THE NUMBERS USED BY HIJZEN WERE NOT CONSISTENT WITH THE COVERAGE OF PRODUCTS IN THE US ITC DECISION, AND THE SOURCE OF THE DIFFERENCES WAS IDENTIFIED FOR THE EC STAFF.

6. HIJZEN DID NOT WISH TO ENGAGE IN AN ARGUMENT ABOUT NUMBERS

BUT WAS PARTICULARLY CONCERNED ABOUT PRESSURE FROM THE DOMESTIC EC STEEL INDUSTRY FOR PROTECTION. HE SAID THAT HE WAS NOT INTERESTED IN CONFRONTATIONAL THREATS ABOUT RETALIATION FOR A FEW MILLION DOLLARS OF TRADE BUT HE WAS DEEPLY WORRIED THAT US ACTION WOULD CAUSE THE EC INDUSTRY TO SEEK THE SAME SORT OF PROTECTION. AS A RESULT OF THE US ACTION, HCS DEFENSE AGAINST HIS OWN STEEL INDUSTRY WOULD BE WEAKENED. AMBASSADOR YEUTTER POINTED OUT THAT THE EC PROBLEM HAD BEEN DEALT WITH THROUGH AN AGREEMENT WITH THE JAPANESE. HIJZEN CLAIMED THAT THE GOVERNMENT PLAYED NO ROLE OTHER THAN TO EXPLAIN THE NATURE OF THE PROBLEM TO THE JAPANESE GOVERNMENT. HE CLAIMED THAT THE EC HAD NEVER DISCUSSED SPECIFIC NUMBERS WITH JAPAN, ALTHOUGH LOEFF INDICATED THAT DISCUSSIONS MAY HAVE TAKEN PLACE BETWEEN EC AND JAPANESE INDUSTRIALISTS. YEUTTER WAS POLITELY SKEPTICAL.

7. HIJZEN REITERATED THAT WE ARE FACED WITH A COMMON PROBLEM AND HE WAS STILL NOT SURE WHAT BENEFIT WOULD COME TO THE EC THROUGH AN OMA. HE EXPRESSED SURPRISE THAT WE HAD NOT RAISED OUR PROBLEMS AT THE NOVEMBER OECD CONSULTATION. HE RAISED THE QUESTION OF WHETHER OUR EXPORTS TO THEM WOULD BE INCOMPASSED BY AN AGREEMENT AND EXPRESSED SURPRISE WHEN AMBASSADOR YEUTTER INDICATED THAT THIS WAS NOT OUR INTENTION AND THAT EXPORT RESTRAINTS WOULD BE DIFFICULT FOR US.. THIS POINT WAS DISCUSSED AT SOME LENGTH AND IN LIGHT OF THE SIGNIFICANCE OF US EXPORTS TO THE EC, AMBASSADOR YEUTTER SUGGESTED THAT IT MIGHT BE POSSIBLE TO HANDLE THIS ISSUE IN SOME MANNER IN THE NEGOTIATION. (FYI: LATER DISCUSSION WITHIN THE US DELEGATION ON THIS POINT CENTERED ON THE POSSIBILITY OF USING A NET QUOTA, I.E., US IMPORTS LESS US EXPORTS, FOR THE EC.)

8. HIJZEN WAS CONCERNED ABOUT HOW THE EC COULD IMPOSE EXPORT RESTRAINTS AND MR. HEIMLICH REPLIED THAT ONE POSSIBILITY WOULD

CONFIDENTIAL

PAGE 04 EC BRU 03416 01 OF 02 031354Z

BE FOR THE ADMINISTRATION OF RESTRAINTS UNDER AN OMA TO BE HANDLED BY THE UNITED STATES. THE MEMBERS OF THE EC STAFF APPEARED TO HAVE A DIFFICULT TIME DISTINGUISHING BETWEEN THIS APPROACH AND A UNILATERAL QUOTA, DESPITE FURTHER DISCUSSION.

9. THE ANTI-TRUST ISSUE WAS RAISED BY HIJZEN. AMBASSADOR YEUTTER INDICATED THAT THROUGH A GOVERNMENT-TO-GOVERNMENT AGREEMENT, WITH PROPER IMPLEMENTATION, THIS SHOULD BE NO PROBLEM FOR THEM. MR. FIELDING ASKED WHETHER ANTI-TRUST ACTION MIGHT BE TAKEN AGAINST FOREIGN FIRMS AND YEUTTER INDICATED THAT THE DEPARTMENT OF JUSTICE WOULD CERTAINLY KEEP A CLOSE EYE ON THE SITUATION.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 EC BRU 03416 02 OF 02 031415Z

42

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 INT-05 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 H-02

SS-15 NSC-05 ITC-01 FTC-01 JUSE-00 /089 W

----- 048563

R 031225Z APR 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 925

INFO ALL EC CAPITALS 1964

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 02 OF 02 EC BRUSSELS 03416

10. MR. LOERKE SAID THAT HE UNDERSTOOD THAT WE WOULD NOT IMPOSE ANY RESTRAINTS ON OUR IMPORTS FROM CANADA BECAUSE IT IS A NET IMPORTER VIS-A-VIS THE US IN SPECIALTY STEEL. AMBASSADORYEUTTER REPLIED THAT NO DECISION HAD BEEN MADE, BUT THAT CT WAS QUITE PROBABLE THAT AN EXCEPTION WOULD BE MADE FOR CANADA. HE CITED THE PRECEDENT FOR SUCH EXCEPTIONS IN THE BEEF QUOTA PROGRAM AND THE TRADITIONAL US/CANADIAN POLICY OF MAINTAINING AN OPEN BORDER. THIS POINT AROUSED CONSIDERABLE INTEREST ON THE PART OF HIJZEN, WHO IMPLIED THAT BECAUSE THE EC IS A SUBSTANTIAL MARKET FOR US EXPORTS THAT IT TOO SHOULD BE ENTITLED TO EXCLUSION FROM RESTRAINTS. HCJZEN WAS CRITICAL OF THE US FOR PRESUMABLY WANTING TO MAINTAIN FREE ACCESS TO THE EC MARKET WHILE LIMITING THEIR ACCESS TO THE US MARKET. HE STATED THAT THE EC SPECIALTY STEEL INDUSTRY HAD ITS PROBLEMS TOO AND THAT, IN FACT, CAPACITY UTILIZATION IS PRESENTLY LOWER THAN IN THE US.

11. AMBASSADOR YEUTTER SUMMARIZED THE DISCUSSCON OF OMAS, USGGESTING THAT IN VIEW OF THE DIFFICULTY OF IMPLEMENTING SUCH AN AGREEMENT ON THE PART OF THE EC, APPARENTLY AN AGREEMENT IS UNLIKELY. IF THAT BE SO, PERHAPS WE SHOULD DISCUSS THE EC
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03416 02 OF 02 031415Z

SITUATION UNDER A QUOTA. HIJZEN DEMURRED, SAYING THAT THE EC WOULD HAVE TO GIVE MORE THOUGHT TO THIS MATTER BEFORE RULING OUT OMAS. A DISCUSSION FOLLOWED CONCERNING WHAT WOULD HAPPEN IF THE EC DID NOT NEGOTIATE AN OMA. AMBASSADOR YEUTTER INDICATED IT WOULD BE LIKELY THAT QUOTAS WOULD BE IMPOSED ON COUNTRIES WITH WHOM OMAS WERE NOT CONCLUDED. THE QUESTION OF THE PROVISION OF THE TRADE ACT CALLING FOR COVERAGE OF A MAJOR SHARE OF TRADE IN OMAS WAS RAISED. IT WAS SUGGESTED BY THE EC THAT WITH ONLY ONE OMA THERE WOULD BE NO NEED TO RESTRICT IMPORTS FROM OTHER COUNTRIES. MR. HEIMLICH POINTED OUT THE NEED TO CONTROL TOTAL IMPORTS IN ORDER TO HAVE A CREDIBLE PROGRAM DOMESTICALLY.

12. HIJZEN INQUIRED CONCERNING US OBJECTIVES FOR THE OECD CONSULTATION IN PARIS LAST WEEK. YEUTTER SUMMARIZED OUR AIMS AS BEING DIRECTED ESSENTIALLY TOWARD A NEUTRAL RESULT. HE FORESAW THE CONSULTATION AS PROVIDING AN OPPORTUNITY FOR THE US TO EXPLAIN WHAT HAS BEEN DONE AND TO RESPOND TO QUESTIONS FROM ITS TRADING PARTNERS. HE INDICATED THAT THE US DID NOT EXPECT PRAISE, BUT THAT WE WILL DEFEND OUR ACTION AS AN APPROPRIATE SAFEGUARD ACTION UNDER THE TRADE PLEDGE. MR. LOEFF (WHO WILL PROBABLY HEAD THE EC DELEGATION) CONTRASTED THE US CONSULTATION WITH THE PRIOR EC CONSULTATION AT THE OECD, POINTING OUT THAT THERE WERE SIGNIFICANT DIFFERENCES IN THE LENGTH OF RELIEF AND THE STATUS OF THE DOMESTIC DECISION PROCESS. HE SUPPOSED THAT IN ANY DISCUSSION OF STATISTICS, IT WOULD BE DIFFICULT FOR OTHER COUNTRIES TO ACCEPT THE NOTION THAT THE US INDUSTRY HAS BEEN INJURED AND PREDICTED THAT THE CHAIRMAN'S SUMMING-UP MAY WELL BE CONTRADICTORY INCLUDING THE US VIEW VERSUS THE VIEWS OF OTHER COUNTRIES. HE DOUBTED WHETHER THE EC COULD EVEN EXPRESS UNDERSTANDING OF THE US ACTION. AMBASSADOR YEUTTER SAID THAT HE HOPED THAT THE SUMMING-UP WOULD BE BALANCED, BUT HE RECOGNIZED THAT OTHERS MAY WANT TO EXPRESS CONCERN RE THE US ACTION. AT THE SAME TIME, HE HOPED THAT THE GROUP WOULD RECOGNIZE IN A POSITIVE WAY THE WILLINGNESS OF THE US IN THE OECD.

13. HIJZEN REITERATED THE EC PROBLEM WITH THE SECTOR APPROACH IN GENEVA. HE FELT THAT IT WAS MUCH TOO EARLY TO BEGIN A SECTOR NEGOTIATION AND STATED THEIR VIEW ON SECTORS IS THAT SUCH NEGOTIATIONS SHOULD BE USED ONLY TO GO BEYOND GENERAL AGREEMENTS IN LIBERALIZING TRADE. AMBASSADOR YEUTTER STATED THAT WE WERE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 03416 02 OF 02 031415Z

COMMITTED TO A STEEL SECTOR NEGOTIATION, BUT THAT TIMING WAS NEGOTIABLE. HE ALSO STATED THAT FURTHER TRADE LIBERALIZATION WOULD BE A FUNDAMENTAL US OBJECTIVE TOO. HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, TREATY RATIFICATION, AGREEMENTS, STEELS, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU03416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760126-0453
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197604101/aaaadinz.tel
Line Count: 276
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by ShawDG>; APPROVED <31 MAR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US/EC CONSULTATION ON SPECIALTY STEEL
TAGS: ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006